

Message Text

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INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10
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R 101345Z JUL 78
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TO SECSTATE WASHDC 6058
INFO AMEMBASSY BELGRADE
AMEMBASSY BERLIN
AMEMBASSY BONN
AMEMBASSY BUCHAREST
AMEMBASSY BUDAPEST
AMCONSUL KRAKOW POUCH
AMCONSUL LENINGRAD
AMEMBASSY LONDON
AMEMBASSY MOSCOW
AMEMBASSY PARIS
AMCONSUL POZNAN POUCH
AMEMBASSY PRAGUE
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C O N F I D E N T I A L SECTION 1 OF 2 WARSAW 5781

E O 11652: GDS
TAGS: ETRD EFIN ENRG EMIN PL US COMECOM
SUBJ: JAROSZEWICZ SPEECH IN BUCHAREST: IMPLIED DEMANDS FOR
MORE SOVIET ENERGY AND RAW MATERIALS

REF: (A) BUCHAREST 4610, (B) WARSAW 5632

1. SUMMARY. ANALYSIS OF THE AVAILABLE POLISH PRESS ACCOUNT OF
THE SPEECH MADE BY PRIME MINISTER JAROSZEWICZ AT THE RECENT CEMA
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COUNCIL MEETING IN BUCHAREST CONFIRMS WESTERN PRESS REPORTS THAT
HE COMPLAINED, INDIRECTLY, ABOUT SOVIET FAILURE TO DELIVER SUFFICIENT
ENERGY AND RAW MATERIALS TO POLAND AND OTHER EE COUNTRIES.
THE COMPLAINTS ARE MADE BY NUANCE AND IMPLICATION, BUT THEY ARE
NEVERTHELESS CLEAR FOR INFORMED READERS, AND THE SOVIETS CANNOT
FAIL TO UNDERSTAND THEM. JAROSZEWICZ'S COMPLAINTS
ARE AN INTERESTING INDICATION

OF THE PRESSURES ON TH POLISH LEADERS AS THEY TRY TO DEAL WITH THE COUNTRY'S CRITICAL ECONOMIC PROBLEMS. AND THEY ALSO INDICATE THE IMPACT WHICH FLUCTUATIONS, IN SOVIET ENERGY AND RAW MATERIAL DELIVERIES CAN HAVE ON THE POLISH ECONOMY. ONE VERY VISIBLE EAMPLE IS CRUDE OIL. AS ANNUAL SOVIET DELIVERIES LEVEL OFF AND DOMESTIC DEMAND RISES, THE GOP MUST SCRAMBLE TO ACQUIRE NON-SOVIET IMPORTS, IF POSSIBLE BY BARTER. END SUMMARY.

2. IN VIVID CONTRAST TO THE PARIS HERALD TRIBUNE AND OTHER WESTERN MEDIA, THE POLISH PRESS HAS DONE AN OUTSTANDING JOB OF NOT, REPEAT NOT, REPORTING RUMORS OF COMPLAINTS BEING MADE BY POLISH PRIME MINISTER JAROSZEWICZ AT THE RECENT CEMA SUMMIT MEETING IN BUCHAREST. SPECIFICALLY, THERE HAS BEEN NO MENTION WHATSOEVER IN POLISH REPORTING THAT THE PRIME MINISTER INDICATED UNHAPPINESS WITH SOVIET ENERGY AND RAW MATERIAL DELIVERIES. NOR, AS MIGHT BE EXPECTED, HAS THERE BEEN ANY MENTION ANYWHERE IN WARSAW OF A REPORTED LAST-MINUTE "FLARE-UP" AT THE CLOSE OF THE CEMA COUNCIL MEETING, DURING WHICH JAROSZEWICZ REFUSED TO SIGN A PROTOCOL REPORTEDLY CONCERNED WITH CEMA-EC NEGOTIATIONS, AS REPORTED IN BUCHAREST'S VERY INTERESTING REFTEL.

3. HOWEVER, IN ANALYZING THE LONG SUMMARY OF THE JAROSZEWICZ SPEECH PUBLISHES IN TRYBUNA LUDU -- AND IT MAY BE SIGNIFICANT THAT THE FULL TEXT OF THAT SPEECH AHS NOT APPEARED HERE, NOT CONFIDENTIAL

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EVEN IN THE ECONOMIC PRESS -- WE DETECT SEVERAL BETWEEN-THE-LINES IMPLICATONS AND NUANCES WHICH WE BELIEVE CAN DEFINITELY BE CONSTRUED AS A POLISH DEMAND THAT THE USSR MUST PROVIDE MORE RAW MATERIALS AND ENERGY IF EAST EUROPEAN INTEGRATION IS TO BE SUCCESSFUL. THERE ARE ALSO UNDERTONES THAT THE SOVIETS HAVE NOT BEEN PROVIDING AS MUCH AS THEY SHOULD HAVE. IN ESSENCE, THE MESSAGE IS ALONG THE LINES THAT "WE POLES AND OTHER EAST EUROPEANS ARE GRATEFUL INDEED FOR THE SUPPORT WE HAVE BENN GETTING FROM CEMA'S LEADING MEMBER, BUT IT HAS BEEN BARELY ENOUGH, AND WE SHALL HAVE TO HAVE MORE."

4. THE FOLLOWING ARE SOME OF THE PASSAGES - QUOTING FROM TRYBUNA LUDU'S SUMMARY -- WHICH WE CONSIDER SIGNIFICANT:
A. "PARTICULAR NOTE SHOULD BE MADE OF THE RESULTS OF MULTI-LATERAL VENTURES OF GREAT IMPORTANCE FOR THE DEVELOPMENT OF INTEGRATION ... THE OREBURG GAS PIPELINE, THE EXPANSION OF IRON ORE AND ALLOY PRODUCTION CAPACITIES, THE CONSTRUCTION OF A CELLULOSE COMBINE ... (POLAND) IS DEEPLY COMMITTED TO THE REALIZATION OF THESE VENTURES. THE SUCCESSFUL RESULTS ACHIEVED SO FAR ARE EVIDENCE THAT THE CEMA COUNTRIES HAVE DEVELOPED CORRECT METHIDS ... A GUARANTEE THAT NEW, MORE

DIFFICULT PROBLEMS FACING US IN THIS THS FIELD WILL ASLO BE
DEALTH WITH EFFICEINTLY."

B. "WE BELIEVE THAT THE ORDER FIXED FOR WORKING OUT COOPERA-
TION PROGRAMS IN INDIVIDUAL FIELDS IS CORRECT AND CORRESPONDS
WITH MOST VITAL NEEDS. THIS IS PARTICULARLY TRUE WITH
RESPECT TO THE RAW MATERIAL AND ENERGY PROGRAM ... IT IS
INDISPENSABLE FOR THE FURTHER ECONOMIC DEVELOPMENT OF OUR
COUNTRIES TO ENSURE SUPPLIES OF THE MOST IMPORTANT TYPES
OF FUEL, ENERGY AND RAW MATERIALS WITHIN CEMA ON THE BASIS
OF LONG-TERM AGREEMENTS RUNNING UP TO THE MINETIES.
IT IS NECESSARY TO POINT OUT THAT THE MOST CRUCIAL OF THE
PROJECTED VENTURES CONCERN THE PARTICIPATION OF THE SOVIET
UNION IN THE SATISFACTION OF THE RAW MATERIAL AND FUEL
NEEDS OF OUR COMMUNITY. WE WISH TO EXPRESS GREAT APPRE-
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CIATION FOR THE INTERNATIONALISTIC ATTITUDE OF THE CPSU
AND THE SOVIET GOVERNMENT WHICH IS HELPING IN THE SOLUTION
OF THE COMMUNITY'S LONG-TERM RAW MATERIAL AND FUEL NEEDS."

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C. "... ON HER PART, POLAND IS READY -- WITHIN THE LIMITS OF HER POSSIBILITIES -- TO USE HER ENERGY SUPPLIES TO MEET THE NEEDS OF THE MEMBER COUNTRIES UNDER THE GENERALLY ACCEPTED TERMS."

D. "... IS IS NECESSARY TO LOOK FOR WAYS ... TO ENSURE A COMPARATIVELY FAST AND FULL IMPROVEMENT IN THE SUPPLY OF BASIC RAW MATERIALS ON THE CEMA MARKETS. WE BELIEVE THAT THIS OBJECTIVE COULD BE PROMOTED BY A SCHEDULED -- OR EVEN AHEAD OF SCHEDULE -- REALIZATION OF THE CEMA COOPERATION
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VENTURES WHICH WAS DISCUSSED BY USSR PREMIER KOSYGIN WHEN HE SUGGESTED A FURTHER EXPANSION OF THE PRODUCTION OF IRON-BEARING RAW MATERIALS IN THE USSR."

E. "I WOULD ALSO LIKE TO STRESS ONCE AGAIN THE GREAT ROLE PLAYED BY THE SOVIET UNION ... ALL OF US REMEMBER THE INITIATIVE PUT FORWARD BY THE CPSU IN 1975 ... LEONID BREZHEV ON THE OCCASION OF THE 50TH ANNIVERSARY OF THE SOVIET UNION ... SAID ... 'WE GOING TOGETHER, AVAILING OURSELVES OF OUR MUTUAL ASSISTANCE, UNITING OUR EFFORTS, ... WE HAVE STARTED TO SOLVE JOINTLY THE PROBLEMS OF RAW MATERIALS, FUELS AND ENERGY, FOOD AND TRANSPORT ... WE WILL SOLVE THESE PROBLEMS ... WITH A FULL UNDERSTANDING OF THE NEEDS AND INTERESTS OF EVERY FRATERNAL COUNTRY'...."

F/, "WE APPROVE OF THE ACTIVITY OF SOVIET ECONOMISTS AND EXPERTS, USING THEIR KNOWLEDGE AND EXPERIENCE FOR DEVELOPING PROGRAMS. THE MOST IMPORTANT THING, HOWEVER, ... IS THE ENORMOUS FACTUAL CONTRIBUTION TO THE ECONOMIC CONTENT OF THE DECISIONS, INVOLVING THE HIGH ECONOMIC, SCIENTIFIC-TEHCNICAL, AND RAW-MATERIALS PROTENTIAL OF THE USSR...."

5. JAROSZEWICZ'S COMMENTS ON OTHER ASPECTS OF CEMA INTEGRATION, AS REPORTED IN THE TRYBUNA LUDU SUMMARY, SEEMED FAIRLY ROUTINE WITH THE EXCEPTION OF A REFERENCE REGARDING THE NEED "TO IMPROVE THE HARD CURRENCY-FINANCIAL INSTRUMENTS OF OUR COOPERATION" WHICH WE ASSUME CONCERNS CEMA BANKING AND COULD HAVE INTERESTING RAMIFICATIONS IN VIEW OF POLAND'S POSITION AS HOLDER OF THE LARGEST HARD-CURRENCY DEBT IN EASTERN EUROPE.

6. REVIEWING POLAND'S CURRENT ECONOMIC PROBLEMS AND THE
IMPACT, POSITIVE OF
A NEGATIVE, WHICH SOVIET RAW MATERIAL AND
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FUEL DELIVERIES, OR THE LACK OF THEM, CAN HAVE, IT IS EASY
TO UNDERSTAND THE PRIME MINISTER'S CONCERN. AS THE EMBASSY
HAS REPORTED EARLIER, SOVIET OIL DELIVERIES TO POLAND
HAVE BEEN LEVELLING OFF AT ABOUT 13 MILLION METRIC TONS
PER YEAR AND ARE EXPECTED TO CONTINUE AT THAT LEVEL FOR
SOME TIME. CONSUMPTION. CONSUMTION, HOWEVER, IS NOT LEVELLING OFF.
IT IS RISING. WE ARE INFORMED THAT THIS YEAR POLAND WILL
BUY ABOUT ONE MILLION TONS OF CRUDE FROM IRAQ, ONE MILLION
FROM IRAON AND ABOUT 1.5 MILLION FROM BRITISH PETROLEUM.
THE RECENT VISITS TO WARSAW BY THE NIGERIAN AND LIBYAN
CHIEFS OF STATE WERE UNDOUBTEDLY CENTERED ON POLISH ACQUI-
SITION OF CRUDE FOR BARTER, FISHING BOATS, CONSTRUCTION
PROJECTS, PORT DEVELOPMENT. OBVIOUSLY, THE CONSTATN SEARCH
IN WESTERN AND LDC MARKETS FOR CHEAP CRUDE OIL BY OFFICIALS,
BURDENED WITH AN EXTERNAL HARD CURRENCY
DEBT OF MORE THAN \$13 BILLION AND COMPELLED
ALSO TO MAKE LARGE FOREIGN GRAIN PURCHASES, MUST BE A DEMANDING
AND DEPRESSING DUTY.

7. ALTHOUGH THE DIFFICULTY OF FINDING OIL ON TERMS THEY CAN AFFORD
IS PROBABLY THE MOST DRAMATIC AND VISIBLE
PROBLEM, THERE ARE OTHERS EQUALLY CRUCIAL. WE
WERE RECENTLY INFORMED THAT A SEVERAL-WEEKS SUSPENSION OF
SOVIET NATURAL GAS DELIVERIES TO POLAND LAST WINTER (CAUSES
UNKNOWN) CAUSED A SERIOUS INTERRUPTION IN PROCESSING OF
SULPHUR, ONE OF THE COUNTRY'S LEADING EXPORTS TO WESTERN
EUROPE. WE ARE NOT AWARE OF LAGS IN SOVIET IRON-ORE DELIVERIES,
BUT JAROSZEWICZ'S CONCERN MAY BE POINTED TOWARD THE FUTURE.

8. WE ALSO BELIEVE THAT SOME OF JAROSZEWICZ'S REMARKS MAY
HAVE BEEN INTENDED TO REMIND THE SOVIETS
TO KEEP THEIR PART OF THE
BARGAIN IN CONNECTION WITH REPORTED POLISH AGREEMENTS
EARLIER THIS YEAR (REFTEL B) TO INCREASE THE TEMPO AND
SCOPE OF THEIR INDUSTRIAL COOPERATION AND INTEGRATION WITH
THE USSR. THUS, THE REFERENCE TO "SOVIET ECONOMISTS AND
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EXPERTS" WHO ARE DEVELOPING PROGRAMS" MAY APPLY TO SOME OF
THE INTENSIFIED POLISH-SOVIET INTEGRATION ACTIVITY WHICH HAS

RECENTLY BEEN EVIDENT HERE. PRESUMABLY, ALTHOUGH WE HAVE NO PROOF, POLISH CONCURRENCE FOR THIS MAY HAVE BEEN BASED PARTLY ON EXPECTATIONS OF INCREASED SOVIET FUEL AND RAW MATERIALS DELIVERIES.

9. SUMMING UP,

ALTHOUGH WE ARE SURPRISED AT THE DIRECTNESS OF THE IMPLICATIONS WHICH JAROSZEWICZ HAS MADE, AND WHICH THE SOVIETS CANNOT FAIL TO RECOGNIZE, WE ALSO REGARD THEM AS AN INTERESTING INDICATION OF THE HEAVY, SUSTAINED PRESSURE WHICH MUST BE HARRASSING THE POLISH LEADERSHIP AS THEY TRY TO KEEP THEIR COUNTRY'S ECONOMY ON AN EVEN KEEL ON THE SUMMER OF 1978.

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